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received
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Department of the Interior
Minerals Management Service
Mail Stop 4700
381 Elden Street
Herndon, Virginia 20170-4817

Attention: Rules Processing Team

Re: Proposed Regulations on Oil Spill Financial Responsibility for Offshore Facilities

Dear Madams and Sirs:

Vastar Resources, Inc. (Vastar) appreciates the opportunity to provide the following comments to the Minerals Management Service (MMS) in response to its March 25, 1997 notice of proposed rulemaking to revise regulations concerning Oil Spill Financial Responsibility for Offshore Facilities (30 CFR 253). We also appreciate the MMS's efforts to communicate in public meetings on this proposal and the decision of the MMS to extend the deadline for comments in order to ensure that the proposal is adequately evaluated and that all parties are given ample opportunity to respond. We participated in the June 5 public meeting at which the proposal was discussed and we appreciate MMS' extra effort to generate a full discussion on the issues raised at the workshop.

Vastar has worked with the Independent Petroleum Association of America (IPAA) and with the American Petroleum Association (API) on the development of industry comments on this proposed rulemaking and Vastar is a member of the Offshore Operators Committee (OOC). These three associations--API, IPAA and OOC--have worked together to develop and submit industry comments (API/IPAA/OOC comments) that represent the views of large and small exploration and production companies that operate in the OCS. Vastar concurs with and endorses the comments submitted by these industry trade associations. In addition, we offer the following points by way of highlights of the industry comments that are of particular importance to Vastar.

Coordination with 30 CFR Part 254: Amount of OSFR That Must be Demonstrated and Effective Dates: Vastar strongly supports the API/IPAA/OOC comments regarding the amount of financial responsibility that must be demonstrated and the effective date of the rulemaking. As proposed, MMS would require applicants to evidence financial responsibility at a level based on regulations found at 30 CFR Part 254, Response Plans for Facilities Located Seaward of the Coast Line. There are two problems with this proposal.

First, it is unclear what amount of OSFR would be required based on the "worst case oil spill discharge volume" that is determined under Part 254 response plans. We encourage the MMS to address this critical point and clarify that the "worst case" volume is not a cumulative sum of oil spilled for 30 days, but is rather a volume approximated by the largest volume of oil in the water at any point in time adjusted by clean-up efforts, dispersion and evaporation. This difference is substantial and should be clarified in the final regulation consistent with MMS statements at the public meeting and at subsequent meetings with industry.

The second problem arises from the proposed effective date for the implementation of the OSFR regulation and that of Part 254 Response Plan. As explained in detail in the API/IPAA/OOC comments, an OSFR applicant may be unable to utilize worst case oil spill volume figures from their Part 254 response plans because the implementation of this regulation may not be required until, in some cases, June 1999. It would be inappropriate for the MMS to require implementation of portions of Part 254 under Part 253 without affording industry an opportunity to comment on the accelerated effective date of Part 254. Vastar Resources supports the API/IPAA/OOC recommendation to coordinate the implementation of the two regulations so that they coincide with the requirements under existing Part 254. Further, Vastar is very concerned that unless the implementation of Part 253 coincides with Part 254, then some, if not most operators, will have to submit OSFR twice in one year. Filing twice in one year by most operators would certainly burden the MMS and the regulated community unnecessarily.

Self Insurance: Vastar is very interested in the MMS making substantial improvements in the self insurance methodologies proposed in the rulemaking. We are particularly supportive of use of the "Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves Test" discussed in detail in the API/IPAA/OOC comments. We believe this method would provide the agency with a tool far superior to the measures used in the current regulations and represent a considerable improvement over those proposed in this rulemaking.

Administrative Issues: We share the view expressed in the API/IPAA/OOC comments that the MMS has understated the administrative burden of the proposed rulemaking. We support strongly the recommendations that the use of forms be sharply reduced for all applicants regardless of level of financial responsibility. Specifically, we see little to no benefit in requiring applicants to list each and every covered offshore facility for which it is evidencing financial responsibility. Moreover, we strongly oppose the MMS proposal that applicants be required to update this list every time an assignment or change in the designation of operator is made. Vastar believes the industry comments make a good case for eliminating most of the proposed forms and encourages MMS to adopt these proposals.

Thank you for your efforts to communicate with industry on this proposed rulemaking. We look forward to working with you in implementing the final regulation. If you or your staff have any questions or require additional information regarding our comments, please do not hesitate to call me at 281-584-3547.

Earl R. Sims
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